Mandatory Use of Distributors – Executive Summary

ISSUE STATEMENT:

Some industry participants believe the mandated use of a distributor is unnecessary; that the laws too heavily favor the distributor by limiting a business's ability to negotiate appropriate service levels; and that the regulatory scheme governing these relationships protects distributors business interests while unnecessarily hindering manufacturers' and retailers' businesses, without promoting state policy goals. ***These industry representatives believe laws explicitly and implicitly mandating the use of distributors should be eliminated permanently.***

Others believe that the traditional distributor tier continues to play a vital role in maintaining separation of interests across the tiers and their ability to assist the state in its efforts to collect taxes and monitor the flow of alcohol into the state are central to achieving the state's policy goals. ***These industry participants believe the three-tier system should not be eroded.***

DISCUSSION:

The distributor tier was originally inserted into the supply chain as one means of separating the tiers. Many participating industry stakeholders feel the state's regulatory structure strongly favors the distributor. These individuals favor a more flexible approach that allows the supplier and distributor (or retailer and distributor) to negotiate the extent of their relationship based on a business need.

Exceptions over time have essentially made it technically possible for all manufacturers to physically distribute beer and wine to licensed retailers. However, industry participants report that related regulations make it very difficult NOT to use a traditional distributor for the physical distribution of products. Two areas were noted as particular concerns.

- Although retailers can contract with common carriers to have product shipped to them, manufacturers do not have this same authority.
- Retailers' lack of ability to centrally warehouse beer and wine products makes self-distribution economically infeasible.

Although both of these requirements apply to traditional distributors as well, industry representatives felt they do not present the same level of barrier to traditional distributors that they do to manufacturers that want to use the self-distribution authority.

It is unclear what the impact will be of expanding the authority to self-distribute to out-of-state wineries and breweries.

- Distributors and policy makers are concerned that eliminating (or reducing) the mandatory requirement to sell product through a licensed distributor will significantly and negatively impact the beer and wine distribution industry in Washington.
- In-state manufacturers who currently use distributors, however, reported they would continue to use a distributor because they wanted to maintain their focus on their core mission – to produce beer or wine. Distributors provide valuable services, both to manufacturers and to retailers.
- Distributors and policy makers are also concerned that expanding the authority to act as distributors will make it more difficult to ensure that sales are reported and excise taxes are paid.

- Prevention, treatment and law enforcement stakeholders and some distributors, are concerned that any degradation to the existing three-tier system may have significant and negative consequences to public health and safety.

To date, there have been 51 direct shipment endorsement applications from out-of-state manufacturers received by the WSLCB. **Since the new regulations did not become effective until July 2006, there is insufficient information available to analyze its actual impacts.**

CURRENT REGULATIONS CONTRIBUTION TO STATE POLICY GOALS:

1. **Does the state's current regulatory structure related to the mandatory use of distributors (and exceptions) contribute to the state's policy goal of preventing the misuse of alcohol?** Yes. The mandatory use of distributors was originally initiated, in part, to allow for careful monitoring of the flow of alcohol, and it does contribute to that goal.
2. **Does the state's current regulatory structure related to the mandatory use of distributors contribute to the state's policy goal of efficient collection of taxes?** Yes. As originally implemented and as modified to allow in-state manufacturers to self-distribution, current regulations have supported efficient tax collection – or at least, there is no evidence to the contrary.
3. **Does the state's current regulatory structure related to the mandatory use of distributors promote the public interest in fostering the orderly and responsible distribution of malt beverages and wine towards effective control of consumption?** Yes, and no evidence has been collected that demonstrate the limited exceptions allowing in-state manufacturers to self-distribute have had either a positive or negative impact on this goal.

POLICY OPTIONS

OPTION 1: No Change. Leave existing authority for distribution and self-distribution in place, with no further expansion of authority, and no modification to supporting regulations.

<u>Potential Benefits</u>: Provides an efficient and effective means to monitor the flow of beer and wine and to collect taxes. Gives the state time to see to what extent out-of-state manufacturers will self-distribute, and what, if any, impacts will result. As the "known" model there is less risk of unintended consequences.

<u>Potential Drawbacks:</u> Use of additional authority may be limited, and some industry participants' business models are still constrained. Consumer prices may be higher under this model.

OPTION 2: Eliminate regulations that act as barriers to using self-distribution authority.

<u>Potential Benefits</u>: Could expand the use of self-distribution options, and introduce additional market influence, and as a result could reduce price to consumers.

<u>Potential Drawbacks</u>: Could result in increased illegal or unreported sales if not accompanied by appropriate reporting and enforcement mechanisms.

OPTION 3: Move toward complete elimination of mandated requirements to use traditional distribution tier.

<u>Potential Benefits</u>: Allows market forces to drive the level of service provided in the distribution chain and could result in lower prices.

<u>Potential Drawbacks</u>: A more diffused system could make monitoring, enforcement and revenue collection difficult, and make it easier to sell or move product illegally.

RELATIONSHIP AMONG THE TIERS
Mandatory Use of Distributors

References: Chapter 302, Laws of 2006 (Second Substitute Senate Bill 6823); RCW 66.24 & 66.28

ISSUE STATEMENT:

Some industry participants believe the mandated use of a distributor is unnecessary; that the laws too heavily favor the distributor by limiting a business's ability to negotiate appropriate service levels; and that the regulatory scheme governing these relationships protects distributors business interests while unnecessarily hindering manufacturers' and retailers' businesses, without promoting state policy goals. These participants indicate:

— *They would likely continue to use distributors extensively (except for the minority who exclusively self-distribute), but their use should be driven by business necessity (added value), not by mandate.*

— *Related regulations such as a prohibition on central warehousing and prohibition on the use of common carriers by manufacturers effectively negate any expanded authority such as self-distribution by manufacturers.*

These industry representatives believe laws explicitly and implicitly mandating the use of distributors should be eliminated permanently.

Others believe that mandatory use of distributors, and related regulations, should not be eroded. These industry participants believe:

— *The traditional distributor tier continues to play a vital role in maintaining separation of interests across the tiers and their ability to assist the state in its efforts to collect taxes and monitor the flow of alcohol into the state are central to achieving the state's policy goals.*

— *Relaxing the requirements mandating the use of a distributor could result in loss of tax revenues, inability to monitor the flow of alcohol into the state, and ultimately would increase illegal sales and abusive consumption of beer and wine.*

Should the state mandate the use of licensed distributors for the sale of beer and wine, or should the state move toward the eventual elimination of the mandatory use of distributors, including related prohibitions that effectively require their use?

BACKGROUND:

Washington, like most states, has established a three-tier system for the distribution and sale of beer and wine. As a general rule, suppliers[1] have been prohibited from selling beer and wine products directly to retailers. When the system was established, a middle distribution tier

[1] Suppliers generally include manufacturers, certificate of approval (COA) holders, authorized representatives, and importers.

was inserted by the state to ensure the physical and economic separation of suppliers and retailers. This requires that suppliers sell their product to a licensed distributor, and only licensed distributors are allowed to sell to retailers, who in turn sell to consumers.

As has been discussed in previous task force meetings, before Prohibition, it had become common practice for alcohol retailers to be closely controlled by large distillers and brewers, in effect to become "tied" to the more economically powerful suppliers. Control took the form of leases, chattel mortgages, credit and other financial interests. This control by the supplier level forced retailers to adopt programs to promote consumption and increased sales. These tied-houses sponsored activities and fostered levels of beverage alcohol consumption that offended the moral and social values of many of the communities in which they were located. In other words, the suppliers' hands-on involvement in the retailing of alcohol created financial incentives to increase alcohol sales to levels that were perceived to be excessive and detrimental to both consumers and society as a whole.[2]

Early in the development of Washington's system, an exception was granted to allow in-state wineries, breweries and microbreweries to sell their own product directly to retailers, and to retail their own product as well. When an in-state manufacturer is acting as a distributor, it must comply with all the regulations that apply to traditional beer and wine distributors, including for example, adding the appropriate distributor level mark-up to their product price, and posting their distributor prices. No attempt has been made over the years to demonstrate the impact these exceptions have had in the state. Therefore, there is no evidence to suggest whether these limited exceptions have had negative or positive impacts on the state's ability to achieve its policy goals. *[It should be noted that "no evidence" does not mean "no impact." In this context, it simply means that no evidence has been gathered that is sufficient to either support or refute assertions about impacts.]*

In 2006, the Legislature extended this "self-distribution" authority to out-of-state wineries and breweries (commonly referred to as "certificate of approval" holders or COAs).[3] The new statute requires COAs to obtain a direct shipment endorsement to act as a distributor, and the statute also allows retailers to contract with a common carrier to obtain products from these manufacturer/ distributors. (The manufacturer is still prohibited from contracting with a common carrier to distribute their product.) At the time the bill was passed, there were 714 COAs and the LCB anticipated that all 357 would seek direct shipment endorsements.

The expanded authority does not extend to other suppliers such as authorized representatives (authorized representatives are representatives of out-of-state or out-of-country wineries and breweries); importers (companies that import beer and wine from other countries) or COAs that do not have a direct shipment endorsement. And, t**he "self-distribution" authority granted to out-of-state manufacturers expires on June 30, 2008.**

[2] *Alcohol Distribution Laws Bottle Up Options for Consumers and Retailers*, Morgan Smith, Georgia Public Policy Foundation (October 16, 2002).

[3] Second Substitute Senate Bill 6823, Chapter 302, Laws of 2006.

DISCUSSION:

The issue of mandatory use of distributors is an extremely complex topic and, to some extent, touches on virtually every significant issue associated with the three-tier system. **This issue paper focuses specifically on the business issues related to the physical distribution of beer and wine by manufacturers to retailers; it does not address all of the specific regulations that apply to distribution itself (i.e. tax reporting, mandatory mark up, delivered pricing, etc.), or the prohibition of retailer to retailer sales.**

In brief, the distributor tier was originally inserted into the supply chain as one means of separating the tiers, tracking distribution and efficiently collecting taxes. Exceptions over time have essentially made it technically possible for all manufacturers (not including importers and authorized representatives) to physically distribute beer and wine to licensed retailers (while "standing in the shoes of a distributor" - abiding by the same essential regulations as a distributor would). However, several industry participants report that **related regulations make it very difficult NOT to use a traditional distributor for the physical distribution – particularly the ban on central warehousing, and the ban on use of common carriers by the manufacturer.**

The distributor tier has traditionally played a vital role in the distribution chain. Distributors often develop close working relationships with their suppliers and may work with the supplier on marketing issues. Distributors can also provide valuable services to retailers, such as assisting with restocking and promotions. Distributors are responsible for paying state excise tax on the beer and wine they purchase from suppliers. This tax remittance responsibility also ensures that the flow of beer and wine (particularly product from out-of-state) is accounted for and tracked through to the retail sale.

Many participating stakeholders (including manufacturers, independent distributors and retailers) felt the state's regulatory structure that dictates the distributors' role, strongly favors the distributor, and makes it difficult or impossible for a business to negotiate a level of service appropriate to their business needs. These individuals were in favor of a more flexible approach that allows the supplier and distributor (or retailer and distributor) to negotiate the extent of their relationship based on a business need, rather than being dictated by state regulations. To accomplish this, the mandatory requirement to use a traditional licensed distributor would need to be relaxed, and/or other related regulations changed, to allow some level of market competition.

The legislature expanded the definition of who can act as a distributor, but related regulations reportedly make it difficult to use the expanded authority effectively.

The in-state exception has historically been used on a small-scale basis and although a large number of in-state producers have used the authority to self-distribute, the volume of self-distributed product represents a small percentage of the beer and wine sold to Washington retailers. Appendix A shows a comparison of self-distribution sales for FY 2001-2006 for both wine and beer.

- In Fiscal Year (FY) 2006, 93 of the 97 licensed in-state breweries (96%) used this authority. This represents 36% of all sales of beer produced in Washington, and 2% of all sales of beer (produced in Washington or elsewhere.)
- And, also in FY 2006, 315 of the 438 licensed in-state wineries (72%) licensed in Washington used this authority. This represents 17% of all sales of wines produced in Washington, and 8% of all sales of wine (produced in Washington or elsewhere.)

During stakeholder interviews, winery and brewery operators reported the self-distribution option was particularly useful to them when their operation was new and/or they were producing a relatively small amount of beer or wine.

Winery and brewery representatives cite two primary reasons for using self-distribution.

- **First, self-distribution allows a smaller manufacturer to retain more of the profit.** Take for example a bottle of wine that costs $10 to produce and is expected to retail at $20. The winery may sell that bottle to a distributor for $13, who then marks it up to $17 and sells it to a retailer who sells it to a consumer at $20. If the winery self-distributes, it can sell the bottle to the retailer directly at $17 (or perhaps slightly cheaper to encourage the retailer to carry their product), and instead of keeping $3 profit, they keep $7 less the cost of marketing and delivering the product. For small entities this makes sense because they have a limited number of supply and customers, and therefore their marketing costs are somewhat low. As they grow, however, those costs increase as their retail base expands. Eventually it becomes inefficient for the winery or brewery to distribute their own product and they look for a distributor to take on those tasks.
- **Second, some wineries and brewery representatives felt a large distributor would not adequately represent their account.** They noted that distributors, not unreasonably, tend to focus their time and energies promoting products that they can sell in larger volume. As distributors consolidate and become larger, and as the number of wineries and breweries expand, smaller manufacturers have a more difficult time competing for a distributor's promotional attention. Until a manufacturer has built up a level of demand from retailers it makes more sense to market their own product. (It should be noted that some distributors pointed out that although consolidation is occurring in the distributor tier, this has opened up opportunities for small, niche distributors that cater to the smaller "boutique" winery or breweries.)

In 2006, as a result of a court decision, the legislature expanded to out-of-state manufacturers the authority to also act as distributor of its own product. The changes provided in Second Substitute Senate Bill (2SSB) 6823 fundamentally alter the three-tier system in Washington.

However, some industry representatives are concerned that the legislative change did not go far enough and it left in place barriers that will make it difficult to use the new self-distribution authority. Two areas were noted as particular concerns.

- First, **although retailers can contract with common carriers to have product shipped to them, manufacturers do not have this same authority**. The rationale used to explain this requirement is that when a common carrier is used, the state's ability to monitor or control its movement is limited, thus increasing the risk of illegal sales. Manufacturers, however, see this as an unnecessary impediment because it requires that either the manufacturer must ask the retailer to make the shipping arrangements, the retailer must pick up the product at the manufacturer, or the manufacturer must deliver it using a company vehicle.

  - Of the 16 states responding to the survey, nine states report they regulate the methods that may be used to deliver product to a retailer. These regulations appear to be quite varied. For example, Montana reports that breweries may not use common carriers, but in-state wineries may use common carriers for delivery while North Carolina allows manufacturers to deliver their own product or use a common carrier when distributing product to a wholesaler.

- **Second, the retailers' lack of ability to centrally warehouse beer and wine products makes self-distribution economically infeasible**. The ban on central warehousing is an obstacle to self-distribution. The fee structure of interstate commerce using a common carrier makes small deliveries cost prohibitive (reported by one retailer to be as high as $300 per drop.) So if a carrier has to deliver to every store, it is too expensive to do and the retailer has to use a distributor. If they could ship to a central warehouse, they could then use their own trucks to deliver out to individual stores. Central warehousing would be more efficient for distributors, and better serves come of their clients. Removing this restriction would allow the market to determine the most efficient means of getting the product to the customer. Again, the argument against central warehousing has been that once the product is delivered to the central warehouse, the state loses control over the movement of the product, increasing the opportunity for illegal sales.

  - Of the 16 states responding with survey information, five states (California, Missouri, North Dakota, Texas and Wyoming [malt beverages only]) report they allow products to be delivered to a retailer's central warehouse.

It should be noted that both of these requirements or limitations apply to traditional distributors as well. But many industry representatives felt these requirements do not present the same level of barrier to traditional distributors that they do to manufacturers that want to use the self-distribution authority. (However, independent distributors also stated they would like the ability to use a common carrier on occasion and to deliver to a central warehouse.)

It is unclear what the impact will be of expanding the authority to self-distribute out-of-state wineries and breweries. Many distributors and policy makers are concerned that eliminating (or reducing) the mandatory requirement to sell product through a licensed distributor will significantly and negatively impact the beer and wine distribution industry in Washington. The LCB reports 148 distributors are currently licensed and do business in communities throughout Washington. (This figure does NOT include manufacturers who are also licensed to self-distribute.) According to state employment statistics, beer and wine wholesalers employed over 4,300 people in December of 2005, contributing roughly $192 million in annual wages in 2005.[4] Any significant decrease in the use of traditional beer and wine distributors

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[4] **These figures are approximate and are provided for illustrative purposes only.** The Employment Security Department tracks employment and wages for all businesses that employ two or more people. The official quarterly

could have an economic impact on the state and on the communities in which they are located, at least in the short-term.

The in-state manufacturers who currently use distributors, however, reported they would continue to use a distributor because they wanted to maintain their focus on their core mission – to produce beer or wine. Distributors provide valuable services, both to manufacturers and to retailers. Although manufacturers (and retailers) felt that many of the regulations that support the three-tier system should be eliminated or made more flexible, the manufacturers interviewed all stated that distributors play a vital role and would continue to be used voluntarily.

Distributors and policy makers are also concerned that expanding the authority to act as distributors will make it more difficult to ensure that sales are reported and excise taxes are paid. Since distributors are licensed and located in the state, the WSLCB believes it has better ability to monitor and enforce tax collection than it would have with out-of-state entities. Thus, there is concern that the state's ability to ensure the appropriate level of taxes are collected is more difficult when dealing with an out-of-state entity. At least one stakeholder suggested shifting the collection of the excise taxes to retail level could eliminate the issue with having to collect taxes from out-of-state producers.

Some stakeholders, particularly the prevention, treatment and law enforcement stakeholders, are concerned that any degradation to the existing three-tier system may have significant and negative consequences to public health and safety. There has been significant support from the public health and safety segment of the industry to maintain the status quo. The concerns expressed generally reflect that too little is known about what might occur if the current approach to monitoring and enforcement is altered, and that we cannot know what type and extent of problems the existing system has successfully eliminated. However, as changes to the system occur, the state should closely monitor key public health and safety outcomes (such as youth consumption, DUIs and/or alcohol-related illnesses or injuries). If key indicators show that changes are having a negative impact, the LCB, the Legislature and the Governor should have mitigation plans in place that can be quickly implemented.

To date, 51 direct shipment endorsement applications from out-of-state manufacturers have been received by the WSLCB, and approximately 50 retailers have applied for the no-cost endorsement that allows them to purchase product through self-distribution. Since the new regulations were not implemented until July 2006, there is insufficient information available to analyze its actual impacts.

CURRENT REGULATIONS' CONTRIBUTION TO STATE'S POLICY GOALS:

1. **Does the state's current regulatory structure related to the mandatory use of distributors (and exceptions) contribute to the state's policy goal of preventing the misuse of alcohol? If yes, how?**

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employment and wage data reported by ESD for beer and wine wholesalers (NAICS Codes 42410 and 42420) for 2005 report the average employment for that year was 2,699 and total wages for the year were $119,733,624. However, according to an ESD representative, a coding error was discovered that significantly increases both the total wages and employment. The figures provided in the text reflect an estimated correction for the coding error.

Yes. The mandatory use of distributors was originally initiated, in part, to allow for careful monitoring of the flow of alcohol. To the extent that is accomplished, it does contribute to the goal of preventing misuse. Exceptions allowing in-state wineries and breweries to self-distribute and report on distribution of their own products have not produced evidence of increased misuse of wine or beer. The expanded authority for out-of-state manufacturers to self-distribute (2SSB 6823 provisions) has only been effective since July 2006 so it is unknown if this provision will impact the state's policy goals. (A separate issue paper and Task Force discussion will focus on the potential impacts of 2SSB 6823 and recommended impact measures.)

2. **Does the state's current regulatory structure related to the mandatory use of distributors contribute to the state's policy goal of efficient collection of taxes? If yes, how?**

   Yes. As originally implemented and as modified to allow in-state manufacturers to self-distribution, current regulations have supported efficient tax collection – or at least, there is no evidence to the contrary. Extending the authority to self-distribute to out-of-state entities requires them to collect and report taxes, similar to in-state manufacturers. The expanded authority for out-of-state manufacturers to self-distribute (2SSB 6823 provisions) has only been effective since July 2006 so it is unknown if this provision will impact the state's policy goals. (A separate issue paper and Task Force discussion will focus on the potential impacts of 2SSB 6823 and recommended impact measures.)

3. **Does the state's current regulatory structure related to the mandatory use of distributors promote the public interest in fostering the orderly and responsible distribution of malt beverages and wine towards effective control of consumption? If yes, how?**

   Yes. The current regulatory structure seems to promote the orderly and responsible distribution of malt beverages and wine. There is no evidence that allowing in-state manufacturers to self-distribute has negatively impacted this goal. The expanded authority for out-of-state manufacturers to self-distribute (2SSB 6823 provisions) has only been effective since July 2006 so it is unknown if this provision will impact the state's policy goals. (A separate issue paper and Task Force discussion will focus on the potential impacts of 2SSB 6823 and recommended impact measures.)

CURRENT SYSTEM IMPACT ASSESSMENT:

Note: This impact assessment is offered to stimulate productive discussion and is based on feedback received from industry participants, a brief review of relevant materials and research literature. It is not intended to provide an exhaustive assessment of all potential impacts. The impacts identified have not be thoroughly tested or evaluated.

The following assessment reflects the impacts of the system now in place in which the majority of wine and beer is moved to market through the distributor tier, but allows both in-state and out-of-state manufacturers to self-distribute to retailers. (Note: Provisions for out-of-state manufacturers to self-distribute have only been in place for a brief time; it is difficult to know if these provisions will significantly impact the system.)

CONSUMER	BUSINESS	STATE	SOCIETY
(price, convenience, selection)	***(costs, unnecessary market restrictions, revenues, private employment)***	***(state resources, state sales and tax revenues, state employment)***	***(alcohol misuse, youth access to alcohol, environmental pressures encouraging misuse)***
Consumers may pay somewhat higher prices than they would if related regulations (e.g., central warehousing and delivery-related restrictions) were eliminated so that more manufacturers were able to take advantage of the new authority to self-distribute.	Recent provisions for out-of-state manufacturers provide the same flexibility to self-distribute as in-state manufacturers have had for some time and will likely result in additional self-distribution. Related regulations and prohibitions on physical distribution do not provide sufficient flexibility to allow manufacturers or retailers to bypass the use of distributors for large distributions. Some manufacturers, retailers and independent distributors view this as a constraint on their business. The larger distributors prefer this model and believe changes could negatively impact their business and	The state has been able to monitor and track the flow of alcohol and efficiently collect tax revenue. There has been no evidence provided that in-state self-distribution has created a problem for the state. There has not been enough experience to assess the impact of expanded provisions for out-of-state self-distribution.	There is no evidence that the current distribution system either negatively or positively impacts society.

	possibly employment.		

POLICY OPTIONS

NOTE: These options are offered to stimulate discussion. ***They are not necessarily the best or only alternatives available.*** *The analysis of potential benefits and drawbacks represents our best efforts at assessing impacts based on feedback received from industry members, and a brief review of relevant literature. They have not been thoroughly tested or evaluated.*

	Consumers	**Business**	**State**	**Society**
Option 1	**NC**	**NC**	**NC**	**NC**
Option 2	+	+	**--**	**--**
Option 3	+	+	**--**	**--**

OPTION 1: No Change. Leave existing authority for distribution and self-distribution in place, with no further expansion of authority, and no modification to supporting regulations.

Potential Benefits: Use of distributors provides an efficient and effective means to monitor the flow of beer and wine and to collect taxes. Current provisions for monitoring flow and tax collection of in-state self-distributors does not appear to have a negative impact, yet provides some flexibility for small manufacturers to get their product to market through alternative channels. The current expansion of out-of-state self-distribution (on a temporary basis) also gives the state additional time to see how many out-of-state manufacturers will self-distribute to Washington retailers, and what, if any, impacts will result. This is the known model; there is less risk of unintended negative consequences due to changes.

Potential Drawbacks: Without further modifications, use of the additional authority to self-distribute may be limited, and some industry participants' business models are still constrained. Consumer prices may be higher under this model than other models.

OPTION 2: Eliminate regulations that act as barriers to using self-distribution authority.

Potential Benefits: Could expand the use of self-distribution options, and thus may introduce additional market influence, and as a result could reduce price to consumers.

Potential Drawbacks: Could result in increased illegal or unreported sales if not accompanied by appropriate reporting and enforcement mechanisms.

OPTION 3: Move toward complete elimination of mandated requirements to use traditional distribution tier.

Potential Benefits: Allows market forces to drive the level of service provided in the distribution chain and could result in lower prices.

Potential Drawbacks: A more diffused system could make monitoring, enforcement and revenue collection difficult, and make it easier to sell or move product illegally.

APPENDIX A:

A relatively small portion of wine and beer sold in Washington is sold by in-state producers through their self-distribution authority.

- Approximately 8% of all wine sold in Washington in FY-06 was sold through self-distribution (17% of all Washington-produced wine was sold through self-distribution).
- Approximately 2% of all beer sold in Washington in FY-06 was sold through self-distribution (36% of all Washington-produced beer was sold through self distribution.)

	Wine Sales in gallons:					
	FY-01	**FY-02**	**FY-03**	**FY-04**	**FY-05**	**FY-06**
WA DOMESTIC WINERIES						
Self distributing/retail	971,192	1,424,607	2,629,599	2,688,984	1,303,506	1,720,690.00
WA Distributor	5,149,215	6,078,412	5,972,945	6,702,711	7,683,496	8,351,441
Totals:	6,120,407	7,503,019	8,602,544	9,391,695	8,987,002	10,072,131
Percentage of Wine Self Distributed Compared to all WA Domestic Wineries Sales	16%	19%	31%	29%	15%	17%
Total Sales in Washington	15,471,979	15,653,088	17,737,279	18,856,619	19,195,000	20,341,678
Percentage of Wine Self Distributed Compared to all Sales in WA	6%	9%	15%	14%	7%	8%

	Beer Sales in Barrels:					
	FY-01	**FY-02**	**FY-03**	**FY-04**	**FY-05**	**FY-06**
WA DOMESTIC BREWERIES						
Self distributing/retail	47,012	80,656	77,660	73,093	76,460	79,315
WA Distributor	712,198	1,152,875	993,906	216,977	155,699	142,878
Totals:	759,210	1,233,531	1,071,566	290,070	232,159	222,193
Percentage of Beer Self Distributed Compared to all WA Domestic Breweries Sales	6%	7%	7%	25%	33%	36%
Total Sales in Washington	4,266,404	4,138,871	3,971,650	4,042,972	4,032,234	3,882,079
Percentage of Beer Self Distributed Compared to all Sales in WA	1%	2%	2%	2%	2%	2%